



**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## General Information

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<b>Legal form of entity</b>	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act No. 117 of 1998)
<b>Nature of business and principal activities</b>	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
<b>Jurisdiction</b>	The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-Segonyana Municipality and Joe Morolong Municipality Demarcation code - DC45 John Gaetsewe
<b>Mayoral committee</b> Executive Mayor	S. Mosikatsi
Executive Councillors	G. C. Assegaai O. E. Hantise M. E. Mochwari O. C. Mogodi
<b>Speaker</b>	S. B. Gaobusiwe
<b>Chairperson: Traditional Affairs</b>	B. D. Phetlhu
<b>Part Time Councillors</b>	M. A. P. Brink J. Freedman V. Jordan J. C. Kaars O. H. Kgopodithata E. V. Makoke K. R. Makwati B. P. Matlhoamantsho P. Q. Mogatle A. Mwembo M. J. Rakoi M. G. Sephecolo T. T. Tlholenyane A. Van Der Westhuizen
<b>Grading of the municipality</b>	4
<b>Capacity of the municipality</b>	Medium
<b>Acting Chief Finance Officer</b>	S. French-Sulliman (appointed 1 August 2015)
<b>Accounting Officer</b>	M.P. Bokgwathile
<b>Registered office</b>	P.O. Box 1480 Kuruman 8460
<b>Business address</b>	4 Federale Mynbou Street Kuruman 8460
<b>Primary bankers</b>	The Standard Bank of South Africa Limited

# **JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2015

## **General Information**

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### **Auditors**

Auditor-General of South Africa

### **Attorneys**

Neville Cloete Attorneys Incorporated

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

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### Abbreviations

Aids	Acquired immune deficiency syndrome
COIDA	The Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HIV	Human immunodeficiency virus
ISRDP	Integrated sustainable rural development programme
MEC	Member of the executive council
MFMA	Municipal Finance Management Act
MPAC	Municipal public accounts committee



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003) (MFMA), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

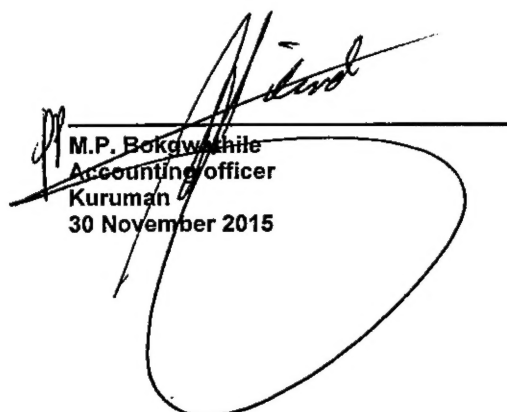
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2015 and were signed on her behalf by:



M.P. Bokgwane  
Accounting officer  
Kuruman  
30 November 2015

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2015.

### 1. Review of activities

#### Main business and operations

The municipality is engaged as a district municipality performing the functions as set out in the constitution (Act no 105 of 1996) and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 10 473 036 (2014: deficit R 5 161 006).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The grading of the municipality is to be changed from a grade 4 to a grade 2 in the new year. This will impact on the remuneration of councillors and senior management.

Council has resolved to sell excess biological assets (game animals) in the 2015/16 financial year; the value of these animals is estimated to be approximately R3 400 000.

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

The accounting officer does not have an interest in any of the contracts entered into during the current financial year.

### 5. Accounting policies

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the municipality occurred during the year.

### 7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
M.P. Bokgwathile	South Africa

### 8. Bankers

Accounts were held with The Standard Bank of South Africa Limited, First National Bank (a division of First Rand Bank Limited), Nedbank Limited, and ABSA (a division of the Barclays Africa Group Limited) during the year.

### 9. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	17 887 779	34 618 346
Receivables from exchange transactions	4	10 926 238	7 229 469
VAT receivable	5	868 422	2 748 555
Grants receivable	15	141 668	-
Inventories	6	4 075 900	4 075 900
		<b>33 900 007</b>	<b>48 672 270</b>
<b>Non-Current Assets</b>			
Biological assets	7	5 095 140	4 524 750
Investment property	8	7 460 000	6 795 000
Property, plant and equipment	9	66 510 191	62 232 600
Intangible assets	10	365 714	358 436
Heritage assets	11	19 750	19 750
		<b>79 450 795</b>	<b>73 930 536</b>
<b>Total Assets</b>		<b>113 350 802</b>	<b>122 602 806</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	11 300 450	7 521 704
Finance lease obligation	13	230 698	42 701
Other financial liabilities	14	213 243	190 577
Unspent conditional grants and receipts	15	5 695 760	6 253 260
Employee benefit obligation	16	1 373 344	1 329 322
Provisions	17	1 423 000	1 074 000
		<b>20 236 495</b>	<b>16 411 564</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	275 118	-
Other financial liabilities	14	1 768 102	1 976 998
Employee benefit obligation	16	24 080 330	26 750 451
		<b>26 123 550</b>	<b>28 727 449</b>
<b>Total Liabilities</b>		<b>46 360 045</b>	<b>45 139 013</b>
<b>Net Assets</b>		<b>66 990 757</b>	<b>77 463 793</b>
<b>Reserves</b>			
Revaluation reserve	18	41 970 148	41 970 148
Accumulated surplus		25 020 609	35 493 645
<b>Total Net Assets</b>		<b>66 990 757</b>	<b>77 463 793</b>

\* See Note 43

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment	20	71 591	64 008
Interest received	21	2 718 342	2 789 198
Administration and management fees received	22	5 735 302	2 461 634
Water reticulation agreement	23	-	3 543 000
Sundry income		154 150	-
<b>Total revenue from exchange transactions</b>		<b>8 679 385</b>	<b>8 857 840</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants and subsidies	24	71 072 861	67 305 080
<b>Total revenue</b>		<b>79 752 246</b>	<b>76 162 920</b>
<b>Expenditure</b>			
Employee related costs	25	49 097 061	50 554 733
Remuneration of councillors	26	4 767 107	3 903 592
Depreciation and amortisation	27	2 116 170	1 848 498
Finance costs	28	2 682 901	2 115 930
Debt impairment	29	249 861	5 707
Repairs and maintenance	30	566 722	1 534 784
General expenses	31	30 862 321	22 921 330
<b>Total expenditure</b>		<b>90 342 143</b>	<b>82 884 574</b>
<b>Operating deficit</b>		<b>(10 589 897)</b>	<b>(6 721 654)</b>
Loss on disposal of assets and liabilities		(1 118 529)	(418 380)
Fair value adjustments	32	1 235 390	1 971 250
		<b>116 861</b>	<b>1 552 870</b>
<b>Deficit for the year from continuing operations</b>		<b>(10 473 036)</b>	<b>(5 168 784)</b>
Discontinued operations	33	-	7 778
<b>Deficit for the year</b>		<b>(10 473 036)</b>	<b>(5 161 006)</b>

\* See Note 43

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	41 970 148	50 207 342	92 177 490
Adjustments			
Prior period errors (note 43)	-	9 552 691	9 552 691
<b>Balance at 01 July 2013 as restated*</b>	<b>41 970 148</b>	<b>40 654 651</b>	<b>82 624 799</b>
Changes in net assets			
Deficit for the year	-	(5 161 006)	(5 161 006)
Deficit as previously stated	-	(5 256 057)	(5 256 057)
Prior period errors (note 43)	-	95 051	-
Total changes	-	(5 161 006)	(5 161 006)
<b>Balance at 01 July 2014 as restated</b>	<b>41 970 148</b>	<b>35 493 645</b>	<b>77 463 793</b>
Changes in net assets			
Deficit for the year	-	(10 473 036)	(10 473 036)
Total changes	-	(10 473 036)	(10 473 036)
<b>Balance at 30 June 2015</b>	<b>41 970 148</b>	<b>25 020 609</b>	<b>66 990 757</b>

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\* See Note 43

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1 830 044	6 056 292
Grants		70 515 361	66 631 655
Interest income		2 718 342	2 789 198
		<u>75 063 747</u>	<u>75 477 145</u>
<b>Payments</b>			
Employee costs		(56 141 267)	(49 639 362)
Suppliers		(25 771 258)	(23 488 420)
Finance costs		(2 422 051)	(1 892 148)
		<u>(84 334 576)</u>	<u>(75 019 930)</u>
<b>Net cash flows from operating activities</b>	<b>34</b>	<b><u>(9 270 829)</u></b>	<b><u>457 215</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(7 412 318)	(3 030 159)
Proceeds from sale of property, plant and equipment	9	-	266 976
Purchase of other intangible assets	10	(106 155)	(139 601)
<b>Net cash flows from investing activities</b>		<b><u>(7 518 473)</u></b>	<b><u>(2 902 784)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(186 230)	(372 965)
Finance lease payments		(193 591)	-
Increase in finance lease liability		699 406	2 002
Finance costs		(260 850)	(223 781)
<b>Net cash flows from financing activities</b>		<b><u>58 735</u></b>	<b><u>(594 744)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(16 730 567)</u></b>	<b><u>(3 040 313)</u></b>
Cash and cash equivalents at the beginning of the year		34 618 346	37 658 659
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b><u>17 887 779</u></b>	<b><u>34 618 346</u></b>

\* See Note 43

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue by source

Investment revenue	2 756 691	-	2 756 691	2 718 342	(38 349)	
Transfers recognised - operational	72 435 894	673 000	73 108 894	70 255 308	(2 853 586)	
Other own revenue	30 732 945	-	30 732 945	5 961 043	(24 771 902)	47.1
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>105 925 530</b>	<b>673 000</b>	<b>106 598 530</b>	<b>78 934 693</b>	<b>(27 663 837)</b>	<b>48.1</b>

##### Expenditure by type

Employee costs	(56 015 818)	4 071 777	(51 944 041)	(49 097 061)	2 846 980	47.2
Remuneration of councillors	(4 872 349)	-	(4 872 349)	(4 767 107)	105 242	47.3
Debt impairment	-	-	-	(249 861)	(249 861)	
Depreciation & asset impairment	(861 289)	-	(861 288)	(2 116 170)	(1 254 882)	47.4
Finance charges	(263 500)	-	(263 500)	(2 682 901)	(2 419 401)	47.5
Transfers and grants	(10 001 894)	215 000	(9 786 894)	-	9 786 894	47.6
Other expenditure	(28 125 540)	(2 676 717)	(30 802 257)	(31 429 043)	(626 786)	47.7
<b>Total expenditure</b>	<b>(100 140 390)</b>	<b>1 610 060</b>	<b>(98 530 329)</b>	<b>(90 342 143)</b>	<b>8 188 186</b>	<b>48.2</b>
<b>Surplus</b>	<b>5 785 140</b>	<b>2 283 060</b>	<b>8 068 201</b>	<b>(11 407 450)</b>	<b>(19 475 651)</b>	
Transfers recognised - capital	800 000	1 000 000	1 800 000	817 553	(982 447)	47.8; 48.2
<b>Surplus after capital transfers &amp; contributions</b>	<b>6 585 140</b>	<b>3 283 060</b>	<b>9 868 201</b>	<b>(10 589 897)</b>	<b>(20 458 098)</b>	
Loss on derecognition of assets and liabilities	-	-	-	(1 118 529)	(1 118 529)	47.9
Fair value adjustments	-	-	-	1 235 390	1 235 390	47.10
<b>Surplus / (deficit) for the year</b>	<b>6 585 140</b>	<b>3 283 060</b>	<b>9 868 201</b>	<b>(10 473 036)</b>	<b>(20 341 237)</b>	

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	-	-	-	17 887 779	17 887 779	47.11
VAT receivable	-	-	-	868 422	868 422	47.11
Receivables from exchange transactions	-	-	-	10 926 238	10 926 238	47.11
Conditional grants not received	-	-	-	141 668	141 668	
Inventory	-	-	-	4 075 900	4 075 900	
	-	-	-	33 900 007	33 900 007	
<b>Non-Current Assets</b>						
Biological assets	-	-	-	5 095 140	5 095 140	47.11
Investment property	-	-	-	7 460 000	7 460 000	47.11
Property, plant and equipment	6 584 000	-	6 584 000	66 510 191	59 926 191	47.11
Intangible	-	-	-	365 714	365 714	47.11
Heritage assets	-	-	-	19 750	19 750	47.11
	6 584 000	-	6 584 000	79 450 795	72 866 795	
<b>Total Assets</b>	6 584 000	-	6 584 000	113 350 802	106 766 802	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	264 000	-	264 000	213 243	(50 757)	47.11
Finance lease obligation	-	-	-	230 698	230 698	47.11
Payables from exchange transactions	58 429 177	-	58 429 177	11 300 450	(47 128 727)	47.11
Employee benefit obligation	-	-	-	1 373 344	1 373 344	47.11
Unspent conditional grants and receipts	-	-	-	5 695 760	5 695 760	47.11
Provisions	-	-	-	1 423 000	1 423 000	47.11
	58 693 177	-	58 693 177	20 236 495	(38 456 682)	
<b>Non-Current Liabilities</b>						
Other financial liabilities	1 422 921	-	1 422 921	1 768 102	345 181	47.11
Finance lease obligation	-	-	-	275 118	275 118	47.11
Employee benefit obligations	-	-	-	24 080 330	24 080 330	47.11
	1 422 921	-	1 422 921	26 123 550	24 700 629	
<b>Total Liabilities</b>	60 116 098	-	60 116 098	46 360 045	(13 756 053)	
<b>Net Assets</b>	(53 532 098)	-	(53 532 098)	66 990 757	120 522 855	
<b>Community wealth/equity</b>						
Accumulated Surplus/(Deficit)	(53 532 098)	-	(53 532 098)	25 020 609	78 552 707	47.11
Reserves	-	-	-	41 970 148	41 970 148	47.11
<b>Total community wealth/equity</b>	(53 532 098)	-	(53 532 098)	66 990 757	120 522 855	



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Goods and services	13 049 636	-	13 049 636	1 830 044	(11 219 592)	47.12
Grants	73 235 896	-	73 235 896	70 515 361	(2 720 535)	47.13
Interest income	-	-	-	2 718 342	2 718 342	47.14
	<b>86 285 532</b>	<b>-</b>	<b>86 285 532</b>	<b>75 063 747</b>	<b>(11 221 785)</b>	

##### Payments

Suppliers and employees	(89 874 996)	-	(89 874 996)	(81 912 525)	7 962 471	47.15
Finance charges	(263 500)	-	(263 500)	(2 682 901)	(2 419 401)	47.16
Grants and subsidies paid	(10 001 894)	-	(10 001 894)	-	10 001 894	47.17
	<b>(100 140 390)</b>	<b>-</b>	<b>(100 140 390)</b>	<b>(84 595 426)</b>	<b>15 544 964</b>	

<b>Net cash flows from operating activities</b>	<b>(13 854 858)</b>	<b>-</b>	<b>(13 854 858)</b>	<b>(9 531 679)</b>	<b>4 323 179</b>	
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#### Cash flows from investing activities

##### Payments

Capital assets	(6 584 050)	-	(6 584 050)	(7 518 473)	(934 423)	47.18
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#### Cash flows from financing activities

##### Receipts

Increase in finance lease liabilities	-	-	-	699 406	699 406	47.18
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##### Payments

Repayment of borrowing	(263 500)	-	(263 500)	(186 230)	77 270	47.19
Finance lease payments	-	-	-	(193 591)	(193 591)	47.20
	<b>(263 500)</b>	<b>-</b>	<b>(263 500)</b>	<b>(379 821)</b>	<b>(116 321)</b>	

<b>Net cash flows from investing activities</b>	<b>(263 500)</b>	<b>-</b>	<b>(263 500)</b>	<b>319 585</b>	<b>583 085</b>	
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Net increase/(decrease) in cash held	(20 702 408)	-	(20 702 408)	(16 730 567)	3 971 841	
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Cash/cash equivalents at the start of the year:	(16 565 000)	-	(16 565 000)	34 618 346	51 183 346	47.21
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<b>Cash and cash equivalents at the end of the year</b>	<b>(37 267 408)</b>	<b>-</b>	<b>(37 267 408)</b>	<b>17 887 779</b>	<b>55 155 187</b>	
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# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless otherwise stated. They are presented in South African Rand. Amounts included in the annual financial statements have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, unless otherwise stated.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of receivables is calculated by categorising receivables into low, medium and high risk categories at the end of each year, and then applying percentages based on the risk category and ageing of each debtor. Risk categories are identified by the percentage of debt recovered from the debtor during the year. No impairment is calculated on government and municipal debt.

Impairment of receivables is recognised in surplus and deficit.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

#### Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

#### Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

Provisions are raised and management determines an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/ (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

#### Effective interest rate

The municipality used the government bond rate to discount future cash flows.

#### Allowance for impairment of receivables

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 1.3 Biological assets

The municipality recognises biological assets or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate, where applicable, is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

### 1.4 Investment property

Investment property is property (land and / or buildings and / or portion of a building) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model until disposal of the investment property.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 1.4 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset, a monetary asset, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at its fair value. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

The cost of day-to-day servicing are not recognised in the carrying value of an item of property, plant and equipment. These repairs and maintenance costs are recognised in surplus or deficit as they are incurred.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised when the costs of the new inspection are recognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land, buildings and community assets which are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

It is the policy of the municipality to revalue the land, buildings and community assets once every five years. Management is of the opinion that this is sufficiently regular to ensure that the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

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### 1.5 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent that it eliminates any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	20 - 30 years
Community assets	
• Land	Indefinite
• Buildings	20 - 30 years
Furniture and fixtures	5 - 30 years
IT equipment	5 - 30 years
Leased assets	
• Office equipment	3 - 8 years
• Cellphones	2 - 6 years
Motor vehicles	5 - 15 years
Office equipment	5 - 30 years
Other property, plant and equipment	2 - 25 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following can be demonstrated:

- It is technically feasible to complete the asset so that it will be available for use or sale,
- there is an intention to complete and use or sell it,
- there is an ability to use or sell it,
- it will generate probable future economic benefits or service potential,
- there are available technical, financial and other resources to complete the development and to use or sell the asset, and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5-10 years



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## Accounting Policies

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### 1.6 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such a difference is recognised in surplus or deficit when the intangible asset is derecognised.

### 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

A heritage asset is recognised when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 11 Heritage assets.

#### Initial measurement

Heritage assets are measured at cost on initial recognition.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assess at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Financial instruments includes cash and cash equivalents.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the municipality, cash and cash equivalents comprise of cash held and short term deposits.

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 1.8 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality, transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality derecognises a financial liability (or a part of a financial liability) when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.9 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Income from leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The municipality does not hold inventory for trading purposes; inventory reflects land scheduled to be transferred to third parties.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 1.11 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the assets cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

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### 1.11 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Statutory receivables (continued)

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the definition of an asset is met; and
  - it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which are recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

#### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

### Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method.

### 1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Services in-kind are not recognised.

#### Concessionary loans received

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists, the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 44 for detail.

### 1.20 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.23 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

### 1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

### 1.26 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015.

The budget for the economic municipality includes all the entities' approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.28 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting period); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date once the event occurred.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.28 Events after the reporting date (continued)

The municipality discloses the nature and estimate of financial effect for all material categories of non adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.29 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, other than those relating to distributions to owners, and are only recognised when the value of these outflows or consumption of assets or incurrence of liabilities can be reliably measured. Under the accrual basis, expenses are recognised when they occur, and not only when cash or its equivalent is paid.

Items included in this category consist of personnel costs, remuneration of councillors, grants and subsidies paid and general expenses.

### 1.30 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 46.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.31 Value-added tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis in accordance with section 15(1) of the VAT Act (Act No. 89 of 1991).

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality has adopted the standard for the first time in the 2015 annual financial statements.

The impact of the standard is not material.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

##### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 750	1 750
Bank balances	2 895 688	3 571 798
Short-term deposits	14 990 341	31 044 798
	<b>17 887 779</b>	<b>34 618 346</b>

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their value.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank Limited -Current Account-960-000-099	-	-	237 695	-	-	232 842
Standard Bank Limited -Current Account -024-0923-804	2 986 795	3 576 584	1 097 601	2 895 688	3 571 798	1 097 601
First National Bank -call account -62016341208	272 044	2 057 086	3 954 470	272 044	2 057 760	3 954 470
First National Bank -call account -62047254272	1 736	3 671	3 542	1 736	3 671	3 542
ABSA Bank Limited -Current Account-92-3663-0418	-	-	1 476 054	-	-	1 476 054
ABSA Bank Limited -Call Account-92-3663-0418	-	1 581 951	1 526 315	-	1 581 951	1 526 315
ABSA Bank Limited -Call Account-92-6474-7807	-	1 878 704	6 666 433	-	1 878 704	6 666 433
ABSA Bank Limited -Call Account-92-2896-9110	-	-	247 895	-	-	247 895
ABSA Bank Limited -Call Account-92-8619-9110	-	5 290 709	-	-	5 290 709	-
ABSA Bank Limited -Call Account-92-6852-5079	-	-	30 045	-	-	30 045
ABSA Bank Limited -Call Account-92-6852-4918	-	-	134 376	-	-	134 376
ABSA Bank Limited -Call Account-92-9707-2891	281 978	-	-	281 978	-	-
ABSA Bank Limited -Call Account 20-7429-3047	-	5 112 734	-	-	5 112 734	-
Standard bank Limited call Account -048596582-003	-	458 163	898 037	-	458 163	898 037
Standard bank Limited call Account -048596582-004	-	398 963	3 961 554	-	398 963	3 961 554
Standard bank Limited call Account -508871603-001	-	-	2 053 456	-	-	2 053 456
Standard bank Limited call Account -508871603-002	2 017	444 176	5 170 829	2 017	444 176	5 170 829
Standard bank Limited call Account -508871603-001	-	238	74 781	-	238	74 781
Standard bank Limited call Account -508871603-001	-	-	5 019 290	-	-	5 019 290
Nedbank Limited Medium term deposit-03-7881102918-31	-	2 133 886	1 008 308	-	2 133 886	1 008 308
Nedbank Limited Call deposit-03-7881102918-32	-	414 480	424 497	-	414 480	424 497
Nedbank Limited Call deposit-03-7881102918-33	-	447 425	2 017 713	-	447 425	2 017 713
Nedbank Limited Medium term deposit-03-7881102918-34	-	1 067 097	1 260 384	-	1 067 097	1 260 384
Nedbank Limited Call deposit-03-7881102918-35	-	1 333 872	393 240	-	1 333 872	393 240
Nedbank 32 day deposit	6 168 529	-	-	6 168 529	-	-
First National Bank 7100-2746-116	5 552	5 388	5 246	5 552	5 388	5 246
First National Bank 7444-6880-227	-	8 415 580	-	-	8 415 580	-
First National Bank 7454-0924-096	8 258 485	-	-	8 258 485	-	-

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand					2015	2014
<b>3. Cash and cash equivalents (continued)</b>						
<b>Total</b>	<b>17 977 136</b>	<b>34 620 707</b>	<b>37 661 761</b>	<b>17 886 029</b>	<b>34 616 595</b>	<b>37 656 908</b>



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>4. Receivables from exchange transactions</b>		
Deposits	348	348
Employee costs in advance	-	200
Trade receivables	10 925 890	7 228 921
	<b>10 926 238</b>	<b>7 229 469</b>

Consumer receivables are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors is not performed in terms of GRAP 104 Financial Instruments on initial recognition.

Trade receivables: Ageing	2015	2014
Current (0 - 30 days)	4 890 610	3 205 146
31 - 60 Days	198 261	61 546
61 - 90 Days	46 495	274 014
+ 90 Days	5 867 235	3 745 439
Allowance for impairment	(76 711)	(57 224)
	<b>10 925 890</b>	<b>7 228 921</b>

### Summary of receivables by customer classification

#### 30 June 2015

	Residential	National and provincial government	Total
Current (0 - 30 days)	7 652	4 882 958	4 890 610
31 - 60 Days	5 598	192 663	198 261
61 - 90 Days	692	45 803	46 495
+ 90 Days	76 265	5 790 970	5 867 235
Allowance for impairment	(76 711)	-	(76 711)
	<b>13 496</b>	<b>10 912 394</b>	<b>10 925 890</b>

### Summary of receivables by customer classification

#### 30 June 2014

	Residential	National and provincial government	Total
Current (0 - 30 days)	20 067	3 185 079	3 205 146
31 - 60 Days	3 202	58 344	61 546
61 - 90 Days	3 526	270 488	274 014
+ 90 Days	55 742	3 689 697	3 745 439
Allowance for impairment	(57 224)	-	(57 224)
	<b>25 313</b>	<b>7 203 608</b>	<b>7 228 921</b>

### Trade and other receivables past due but not impaired

Impairment is provided for on all residential accounts which are more than 1 month past due; if these are identified as being high risk current amounts may be impaired. National and provincial government accounts are not impaired. At 30 June 2015, R 7 269 647 (2014: R 4 018 529) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	192 663	58 344
2 months past due	45 803	270 488
3 months or more past due	5 790 970	3 689 697

### Receivables from exchange transactions impaired

The amount of the allowance for impairment was R 76 711 as of 30 June 2015 (2014: R 57 224).

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 4. Receivables from exchange transactions (continued)

The ageing of the receivables is as follows:

Current (0 - 30 days)	597	1 092
31 - 60 Days	5 598	3 202
61 - 90 Days	692	3 526
+ 90 Days	76 265	55 742

### Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	57 224	54 817
Allowance for impairment	19 487	2 407
	<u>76 711</u>	<u>57 224</u>

### 5. VAT receivable

VAT receivable	<u>868 422</u>	<u>2 748 555</u>
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The municipality accounts for value-added tax (VAT) on the invoice basis.

### 6. Inventories

Properties to be transferred	<u>4 075 900</u>	<u>4 075 900</u>
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The inventory is made up of properties which are to be transferred to a local municipality.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 7. Biological assets

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	5 095 140	-	5 095 140	4 524 750	-	4 524 750

#### Reconciliation of biological assets - 2015

	Opening balance	Disposals	Transfers	Gains or losses arising from changes in fair value	Total
Biological assets - game	4 524 750	-	-	570 390	5 095 140

#### Reconciliation of biological assets - 2014

	Opening balance	Disposals	Transfers	Gains or losses arising from changes in fair value	Total
Biological assets - game	3 234 500	-	-	1 290 250	4 524 750

### Non - Financial information

#### Quantities of each biological asset

Black-backed jackal	3	-
Blesbuck	93	79
Blue wildebeest	612	335
Duiker	1	-
Eland	115	91
Gemsbok	400	290
Ibex	3	-
Ostrich	67	35
Red hartebeest	179	95
Springbuck	88	80
Warthog	12	-
Waterbuck	1	-
Zebra	72	27
	<b>1 646</b>	<b>1 032</b>

Information on the amount of births and deaths is not available, counts are only performed at year end.

The biological assets were valued on 24 July 2015 by Panprop CC (trading as Valudata).

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Some of the biological assets did not appear in the prior year listing (black-backed jackal, duiker, ibex, warthog, waterbuck); this is considered to be a result of the animals' movements during the count, and animals which may have been concealed from view during the previous count.

#### Pledged as security

The biological assets are not pledged as security.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 7. Biological assets (continued)

#### Methods and assumptions used in determining fair value

The fair value represents the market values for biological assets that are traded on active markets in the Northern Cape.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 8. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	7 460 000	-	7 460 000	6 795 000	-	6 795 000

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Land and buildings	6 795 000	665 000	7 460 000

#### Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Land and buildings	6 114 000	681 000	6 795 000
Fair value of investment properties		7 460 000	6 975 000

#### Pledged as security

The investment property is not pledged as security.

#### Details of properties

##### Erf 2617 - Kuruman Campus

Freehold ownership property in the Kuruman registration division. Site area is 1190m<sup>2</sup>. Title deed No. T610/1978. Registration date is 15 June 1978 with conditions and servitudes in accordance with erf 2617 which is a consolidation of erven 1105 and 1106.

- Valuation since purchase	2 480 000	2 270 000
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##### Erf 938 and 940 Kuruman

Property in the Northern Cape province with title deed number T416/1996. Site area is 2023m<sup>2</sup>

- Purchase price: 1 December 2008	310 000	310 000
- Additions since purchase or valuation	4 070 000	3 735 000
	<b>4 380 000</b>	<b>4 045 000</b>

##### Erf 4439 Kuruman

Property in the Northern Cape province with title deed number T25/2011. Site area is 17052m<sup>2</sup>

- Valuation since purchase	600 000	480 000
	<b>600 000</b>	<b>480 000</b>

Investment property is rented out. Per the rental agreement, any repairs and maintenance necessary on the properties are the responsibility of the lessee, and no repairs and maintenance have been paid for the Investment property during the current or prior years.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 8. Investment property (continued)

Valuations for erven 2617, 938, and 940 were performed by Panprop CC (trading as Valudata) on 05 August 2015. The market value was determined using the income capitalisation method of valuation to discount market related rentals using a capitalisation rate of 12.5% - 12.75%.

A valuation for erf 4439 was performed by Panprop CC (trading as Valudata) on 10 November 2015. The market value was determined with reference to recent sales of similar properties in the area.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

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### 9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	14 776 708	(953 660)	13 823 048	14 145 200	(471 506)	13 673 694
Community assets	34 400 000	(43 615)	34 356 385	34 400 000	(21 807)	34 378 193
Furniture and fixtures	4 428 793	(1 155 486)	3 273 307	2 426 811	(1 166 465)	1 260 346
IT equipment	4 727 560	(2 302 498)	2 425 062	4 903 426	(2 265 325)	2 638 101
Land	6 212 413	-	6 212 413	6 212 413	-	6 212 413
Leased assets	699 406	(213 707)	485 699	87 421	(76 452)	10 969
Motor vehicles	8 112 002	(2 463 026)	5 648 976	5 655 991	(1 905 866)	3 750 125
Office equipment	418 573	(167 645)	250 928	487 015	(230 307)	256 708
Other property, plant and equipment	43 358	(8 985)	34 373	79 088	(27 037)	52 051
<b>Total</b>	<b>73 818 813</b>	<b>(7 308 622)</b>	<b>66 510 191</b>	<b>68 397 365</b>	<b>(6 164 765)</b>	<b>62 232 600</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Assets no longer in use	Depreciation	Total
Buildings	13 673 694	631 507	-	(482 153)	13 823 048
Community assets	34 378 193	-	-	(21 808)	34 356 385
Furniture and fixtures	1 260 346	2 324 577	(159 581)	(152 035)	3 273 307
IT equipment	2 638 102	823 855	(563 726)	(473 169)	2 425 062
Land	6 212 413	-	-	-	6 212 413
Leased assets	10 969	699 406	(10 969)	(213 707)	485 699
Motor vehicles	3 750 126	2 855 561	(318 456)	(638 255)	5 648 976
Office equipment	256 708	73 202	(45 629)	(33 353)	250 928
Other property, plant and equipment	52 049	4 210	(19 097)	(2 789)	34 373
	<b>62 232 600</b>	<b>7 412 318</b>	<b>(1 117 458)</b>	<b>(2 017 269)</b>	<b>66 510 191</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	13 862 587	282 613	-	(471 506)	13 673 694
Community assets	34 400 000	-	-	(21 807)	34 378 193
Furniture and fixtures	1 211 698	258 038	(47 031)	(162 359)	1 260 346
IT equipment	2 575 355	691 706	(96 129)	(532 830)	2 638 102
Land	6 212 413	-	-	-	6 212 413
Leased assets	51 493	-	(2 977)	(37 547)	10 969
Motor vehicles	2 668 667	1 729 719	(236 297)	(411 963)	3 750 126
Office equipment	376 325	22 998	(57 018)	(85 597)	266 708
Other property, plant and equipment	35 284	45 085	(13 123)	(15 197)	52 049
	<b>61 393 822</b>	<b>3 030 159</b>	<b>(452 575)</b>	<b>(1 738 806)</b>	<b>62 232 600</b>



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 9. Property, plant and equipment (continued)

#### Pledged as security

Property, plant and equipment is not pledged as security.

#### Revaluations

Land, buildings and community assets are re-valued independently every 5 years. A revaluation was performed for the year ending 30 June 2013, and will therefore again be performed for the year ending 30 June 2018.

#### Details of properties

##### Farm Surprise No. 33

Surprise 33/0 in extent 3102,0849 hectares, Kuruman Rd, Northern Cape Province.  
Title Deed T2848/2007

The farm is situated in the John Taolo Municipal District, adjacent to the town Van Zyls Rus.

- Purchase price: 1 December 2008
- Additions since purchase or valuation

4 243 652	4 243 652
4 756 348	4 756 348
<b>9 000 000</b>	<b>9 000 000</b>

##### Farm Ptn 70 of Kalahari-Oos No. 410

Farm Ptn 70 of Kalahari-Oos no. 410 in extent 6808,2158 hectares, Kuruman RD, Northern Cape Province. Title Deed T4150/2005

The farm is situated in the John Taolo Municipal District, about 40km from Van Zyls Rus towards Hotazel and Kuruman.

- Purchase price: 1 December 2008
- Additions since purchase or valuation

6 834 000	6 834 000
14 366 000	14 366 000
<b>21 200 000</b>	<b>21 200 000</b>

##### Erf 1973 - District Municipal Workshop

Freehold ownership property in the Kuruman registration division. Site area is 8565sqm. Title deed No. T504/1947. Registration date is 4 June 1947 with conditions and servitudes in accordance with I454/1956c

- Additions since purchase or valuation

4 250 000	4 250 000
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##### Farm of Chakwana No. 200

Farm of Chakwana no. 200 in extent 959,5054 hectares, Kuruman Rd, Northern Cape Province. Title Deed T3507/2002

The farm is situated in Kuruman Rural District about 80km from Kuruman towards Vryburg

- Purchase price: 1 December 2008
- Additions since purchase or valuation

609 286	609 286
3 590 714	3 590 714
<b>4 200 000</b>	<b>4 200 000</b>

##### Erf 4471 - District Municipal offices

Freehold ownership property in the Kuruman registration division. Site area is 4760sqm. Title deed No. T4295/2005. registration date is September 2005 with condition and servitudes in accordance with Erf 4471 which is a consolidation of erven 943 and 2595

- Additions since purchase or valuation

16 107 613	16 107 613
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# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

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### 9. Property, plant and equipment (continued)

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

### 10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 193 366	(827 652)	365 714	1 087 210	(728 774)	358 436

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	358 436	106 155	-	(98 877)	365 714

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	328 526	139 601	(109 691)	358 436

#### Pledged as security

Intangible assets are not pledged as security.

#### Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

### 11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Council regalia	19 750	-	19 750	19 750	-	19 750

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Council regalia	19 750	19 750

#### Reconciliation of heritage assets 2014

	Opening balance	Total
Council regalia	19 750	19 750

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 11. Heritage assets (continued)

#### Pledged as security

Carrying value of heritage assets is not pledged as security.

#### Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

### 12. Payables from exchange transactions

Accrued bonus	1 324 689	1 113 996
Accrued expenses	27 267	148 880
Accrued leave pay	2 211 316	1 805 863
Debtors with credit balances	12 799	-
Fleet card	68 410	-
Payments received in advanced	938 991	118 843
Retention creditors	243 211	3 730
Trade payables	6 353 963	4 210 588
Water monitoring	119 804	119 804
	<b>11 300 450</b>	<b>7 521 704</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

### 13. Finance lease obligation

#### Minimum lease payments due

- within one year	267 869	42 701
- in second to fifth year inclusive	290 191	-

less: future finance charges	558 060	42 701
	(52 243)	-

<b>Present value of minimum lease payments</b>	<b>505 817</b>	<b>42 701</b>
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#### Present value of minimum lease payments due

- within one year	230 698	42 701
- in second to fifth year inclusive	275 118	-

	<b>505 816</b>	<b>42 701</b>
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Non-current liabilities	275 118	-
Current liabilities	230 698	42 701
	<b>505 816</b>	<b>42 701</b>

It is municipality policy to lease certain office equipment under finance leases.

The average period of the leases is 3 years.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>14. Other financial liabilities</b>		
<b>At amortised cost</b>		
DBSA loan	1 981 345	2 167 575
The loan accrues interest at a fixed rate of 9.64% (2014: 9.64%), and is repayable in 30 bi-annual installments of R197,561 over 15 years.		
<b>Non-current liabilities</b>		
At amortised cost	1 768 102	1 976 998
<b>Current liabilities</b>		
At amortised cost	213 243	190 577
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
Unspent conditional grants	5 695 760	6 253 260
Grants receivable	(141 668)	-
	<b>5 554 092</b>	<b>6 253 260</b>
<b>Unspent conditional grants and receipts</b>		
Expanded public works programme - brick making	1 223 568	2 941 024
Expanded public works programme incentive grant	6 337	-
Financial management grant (FMG)	101 099	183 935
Fire grant	494 172	690 000
Housing accreditation grant	(141 668)	42 193
HIV and AIDS council	591 830	185 495
Infrastructure skill development grant	2 788 119	1 276 019
Near grant	-	443 959
Rural road asset management grant	10 673	10 673
Vanzylsrus sportfield grant	479 962	479 962
	<b>5 554 092</b>	<b>6 253 260</b>

The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

These amounts are invested in a short-term investment until utilised.

## 16. Employee benefit obligations

The employee benefit obligations relate to a post-retirement medical aid benefit provided, and long service awards.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 16. Employee benefit obligations (continued)

#### Post-retirement medical aid benefit:

The municipality provides post employment medical aid benefits upon retirement to some retirees and their legitimate spouses. The entitlement to post-employment medical aid benefits is based on the employees remaining in service up to retirement age and the completion of a minimum service period. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefit are provided to these employees.

The actuarial valuation of the present value of the obligation at 30 June 2015 was carried out by Arch Actuarial Consulting CC on 25 August 2015. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Present value of unfunded obligation at the beginning of the year	26 076 501	21 776 320
Net actuarial gains or losses	(5 490 532)	2 480 576
Difference between expected and actual current service costs	284 432	55 928
Interest cost	2 265 147	1 763 677
	<b>23 135 548</b>	<b>26 076 501</b>
Non-current liabilities	21 990 748	24 992 865
Current liabilities	1 144 800	1 083 636
	<b>23 135 548</b>	<b>26 076 501</b>

#### Net expense recognised in the statement of financial performance

Actuarial (gains) losses	(5 490 532)	2 480 576
Current service cost	284 432	55 928
Interest cost	2 265 147	1 763 677
	<b>(2 940 953)</b>	<b>4 300 181</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.76 %	8.87 %
Health care cost inflation rate	7.86 %	8.09 %
Net effective discount rate	0.84 %	0.72 %

The discount rate is calculated by using a weighted average of yields for the three components of the liability (In-service members' retirement liability, death-in-service liability, continuation members' liability). Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Mortality rates are determined by the PA 90 ultimate table, rated down by 1 year of age used by actuaries.

The normal retirement age for employees of the municipality is 63 years.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 16. Employee benefit obligations (continued)

#### Other assumptions

Assumed healthcare cost trends rates and the discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates or the discount rate would have the following effects on the obligation:

	One percentage point increase	One percentage point decrease
Health care inflation	26 687 000	20 255 000
Discount rate	20 299 000	26 693 000

The liability in respect of the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
In-service members	8 267 577	10 973 679	9 357 089	7 822 664	7 042 263
Continuation members	14 867 971	15 102 822	12 419 231	12 277 382	11 410 900

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 16. Employee benefit obligations (continued)

#### Long service awards

The Municipality has an obligation to provide long service awards benefits to all its permanent employees. In terms of the municipalities policies and practice, permanent employees other than section 57 manager are entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 40 and 45 years of continued service. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The actuarial valuation of the present value of the obligation at 30 June 2015 was carried out by Arch Actuarial Consulting CC on 25 August 2015. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Present value of unfunded obligation at the beginning of the year	2 003 272	1 834 488
Net actuarial gains or losses	107 922	37 752
Difference between expected and actual current service costs	50 028	2 560
Interest cost	156 904	128 472
	<b>2 318 126</b>	<b>2 003 272</b>
Non-current liabilities	2 089 582	1 757 586
Current liabilities	228 544	245 686
	<b>2 318 126</b>	<b>2 003 272</b>

#### Net expense recognised in the statement of financial performance

Actuarial (gains) losses	107 922	37 752
Current service cost	50 028	2 560
Interest cost	156 904	128 472

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.03 %	8.29 %
General salary inflation (long term)	7.10 %	7.17 %
Net effective discount rate	0.86 %	1.05 %

The discount rate is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.34%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

The average duration of the total liability is 7.27 years.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 16. Employee benefit obligations (continued)

#### Other assumptions

Assumed general salary inflation and the discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general salary inflation or the discount rate would have the following effects:

	One percentage point increase	One percentage point decrease
General salary inflation	2 473 000	2 178 000
Discount rate	2 171 000	2 484 000

The liability was not recognised previously; in the current year this was revalued at 30 June 2013, 2014, and 2015 in order to restate the financial statements; it was not considered practical to value this for the preceding two years. The liability in respect of the current and previous two years are as follows:

	2015 R	2014 R	2013 R
Eligible employees	2 318 126	2 003 272	1 834 488

### 17. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Compensation for occupational injuries and diseases	1 074 000	349 000	1 423 000

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Compensation for occupational injuries and diseases	724 000	350 000	1 074 000

The provision for the Compensation for occupational injuries and diseases tariff reflects managements best estimate of the potential liability. The provision is calculated based on actual employee costs per employee, limited to the threshold stipulated, divided by 100 and multiplied by the applicable tariff for municipalities.

### 18. Revaluation reserve

Revaluation surplus relating to property, plant and equipment	41 970 148	41 970 148
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The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment and is not distributable.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>19. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2015</b>		
<b>Financial assets</b>		
	At amortised cost	
Receivables from exchange transactions	10 926 238	
Cash and cash equivalents	17 887 779	
Grants receivable	141 668	
	<b>28 955 685</b>	
<b>Financial liabilities</b>		
	At amortised cost	
Finance lease obligation	505 817	
Other financial liabilities	1 981 345	
Payables from exchange transactions	11 300 450	
Unspent conditional grants and receipts	5 695 760	
	<b>19 483 372</b>	
<b>2014</b>		
<b>Financial assets</b>		
	At amortised cost	
Receivables from exchange transactions	7 229 469	
Cash and cash equivalents	34 618 346	
	<b>41 847 815</b>	
<b>Financial liabilities</b>		
	At amortised cost	
Finance lease obligation	42 107	
Other financial liabilities	2 167 493	
Payables from exchange transactions	7 521 704	
Unspent conditional grants and receipts	6 253 260	
	<b>15 984 564</b>	
<b>20. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	71 591	64 008

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>21. Interest received (trading)</b>		
<b>Interest revenue</b>		
Bank	1 990 841	2 234 764
Receivables from exchange transactions	727 501	554 434
	<b>2 718 342</b>	<b>2 789 198</b>
<b>22. Administration and management fees received</b>		
Product related services	4 796 124	1 870 834
Sundries	729 602	501 480
Telephone	130 577	21 305
Training	78 999	68 015
	<b>5 735 302</b>	<b>2 461 634</b>
<b>23. Water reticulation agreement</b>		
Ga-Segonyana Local Municipality	-	3 543 000

The municipality entered into an agreement with the Ga-Segonyana Local Municipality, whereby the other municipality transfers an amount received for Garuele and Gasebolao water reticulation. The municipality will be the implementing agent for the projects as Ga-Segonyana Local Municipality does not have the infrastructure to implement the project itself.

The project came to an end in the 2014 year.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 24. Government grants and subsidies

#### Operating grants

Equitable share	61 384 935	57 741 999
Expanded public works programme - brick making	1 717 457	-
Expanded public works programme incentive grant	993 663	828 853
Financial management grant (FMG)	1 148 901	1 546 726
HIV and AIDS council	93 665	12 600
Infrastructure skill development grant	987 900	723 981
Library grant	-	-
Municipal systems improvement grant (MSIG)	934 000	2 533 621
Near grant	758 959	69 994
Rural road asset management grant	1 725 000	1 454 327
	<b>69 744 480</b>	<b>64 912 101</b>

#### Capital grants

Housing accreditation grant	817 553	2 392 979
Fire grant	510 828	-
	<b>71 072 861</b>	<b>67 305 080</b>

### Reconciliation of grants from National / Provincial Government

#### Operating grants

National government	68 444 186	64 105 526
Provincial government	1 811 122	806 575
	<b>70 255 308</b>	<b>64 912 101</b>

#### Capital grants

Provincial government	817 553	2 392 979
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### Reconciliation of conditional and unconditional grants

Conditional grants received	9 687 926	9 480 487
Unconditional grants received	61 384 935	57 824 593
	<b>71 072 861</b>	<b>67 305 080</b>

### Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Equitable share	61 384 935	57 741 999
Executive and council	1 027 665	2 533 621
Budget and treasury	1 148 901	1 546 726
Corporate services	-	69 994
Community and social services	1 269 787	12 600
Housing	817 553	2 392 979
Basic services and infrastructure	5 424 020	3 007 161
	<b>71 072 861</b>	<b>67 305 080</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>24. Government grants and subsidies (continued)</b>		
<b>Equitable share</b>		
Current-year receipts	61 201 000	57 741 999
Prior year unspent amounts forfeited	183 935	-
Conditions met - transferred to revenue	(61 384 935)	(57 741 999)
<b>Net of unspent grants</b>	<b>-</b>	<b>-</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

The receipts in terms of this grant were reduced by the unspent portion of the Financial management grant from the prior year.

### Expanded public works programme - brick making

Balance unspent at beginning of year	2 941 024	269 986
Current-year receipts	-	3 499 891
Conditions met - transferred to revenue	(1 717 456)	(828 853)
<b>Net of unspent grants</b>	<b>1 223 568</b>	<b>2 941 024</b>

The grant is used to procure materials and labour for use in the making of bricks. Unspent funds will be used to purchase material (cement and bricks) and employment of labour to produce 150 000 bricks

### Expanded public works programme - incentive grant

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(993 663)	-
<b>Net of unspent/(unpaid) grants</b>	<b>6 337</b>	<b>-</b>

The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive. The related project was completed.

### Financial management grant (FMG)

Balance unspent at beginning of year	183 935	480 661
Prior year unspent amounts forfeited	(183 935)	-
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 148 901)	(1 546 726)
<b>Net of unspent grants</b>	<b>101 099</b>	<b>183 935</b>

The financial management grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA. The financial management grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the financial management interns).

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>24. Government grants and subsidies (continued)</b>		
<b>Fire grant</b>		
Balance unspent at beginning of year	690 000	390 000
Current-year receipts	315 000	300 000
Conditions met - transferred to revenue	(510 828)	-
<b>Net of unspent grants</b>	<b>494 172</b>	<b>690 000</b>

Kuruman is prone to natural disasters, mainly fires. This grant is to assist local municipalities to upgrade and render a fire service. The project is ongoing and subsequent to year end commitments to the value of R523 709 were entered into relating to capital expenditure for which this grant is to be utilised.

### Housing accreditation grant

Balance unspent at beginning of year	42 193	1 350 407
Current-year receipts	633 692	1 084 765
Conditions met - transferred to revenue	(817 553)	(2 392 979)
<b>Net of unspent/(receivable) grants</b>	<b>(141 668)</b>	<b>42 193</b>

The housing grant was utilised for the development of erven and the erection of top structures. This is a multi-year project. The grant is received in equal monthly instalments; the instalments for May and June 2016 have not yet been received.

### HIV and AIDS council

Balance unspent at beginning of year	185 495	98 095
Current-year receipts	500 000	100 000
Conditions met - transferred to revenue	(93 665)	(12 600)
<b>Net of unspent grants</b>	<b>591 830</b>	<b>185 495</b>

The grant was used for HIV and AIDS awareness. The grant was used for HIV and AIDS programmes. These programmes are ongoing and the municipality will continue to utilise the grant subsequent to year end. The funds received during the year were received in June 2015 and will be used in the following year.

### Infrastructure skill development grant

Balance unspent at beginning of year	1 276 019	2 000 000
Current-year receipts	2 500 000	-
Conditions met - transferred to revenue	(987 900)	(723 981)
<b>Net of unspent grants</b>	<b>2 788 119</b>	<b>1 276 019</b>

Conditions still to be met - remain liabilities (see note 15).

The unspent funds have been flagged for use in providing training to interns in the 2015/2016 financial year.

The grant will be used to employ interns for training in civil engineering, building inspections and town planning. The amount was received late during the financial year and the project only gained momentum in March 2014. The municipality will therefore continued to utilise the grant subsequent to year end.

### Library grant

Balance unpaid at beginning of year	-	(75 194)
Current-year receipts	-	75 194
<b>Net of unpaid grants</b>	<b>-</b>	<b>-</b>

The library grant was used to finance library activities.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 24. Government grants and subsidies (continued)

#### Municipal systems improvement grant (MSIG)

Balance unspent at beginning of year	-	1 643 621
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(2 533 621)
<b>Net of unspent grants</b>	<b>-</b>	<b>-</b>

The municipal systems improvement grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

#### Near grant

Balance unspent at beginning of year	443 959	213 953
Current-year receipts	315 000	300 000
Conditions met - transferred to revenue	(758 959)	(69 994)
<b>Net of unspent grants</b>	<b>-</b>	<b>443 959</b>

The grant is used to maintain the disaster management centre.

#### Rural road asset management grant

Balance unspent at beginning of year	10 673	-
Current-year receipts	1 725 000	1 465 000
Conditions met - transferred to revenue	(1 725 000)	(1 454 327)
<b>Net of unspent grants</b>	<b>10 673</b>	<b>10 673</b>

This grant is gazetted in DORA to establish a road asset management system.

#### Vanzylsrus sportfield grant

Balance unspent at beginning of year	479 962	479 962
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The grant was used to build a sportfield at Vanzylsrus. The unspent portion is for maintenance; the municipality is to develop a plan for the utilisation of these funds in the 2015/2016 financial year.

#### Total Grants

Balance unspent at beginning of year	6 253 260	6 851 491
Current-year receipts	70 373 692	66 706 849
Conditions met - transferred to revenue	(71 072 861)	(67 305 080)
<b>Net of unspent grants</b>	<b>5 554 091</b>	<b>6 253 260</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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<b>25. Employee related costs</b>		
Basic	36 133 624	29 886 237
Bonus	2 034 710	1 514 217
Contribution industrial council	7 437	6 591
Contribution pension fund	4 506 905	3 756 317
Contribution provident fund	275 706	259 755
Change in valuation of employee benefit obligations	(5 048 150)	2 576 816
Housing benefits and allowances	1 852 913	1 696 516
Leave pay provision charge	1 847 634	1 751 903
Medical aid - company contributions	2 813 839	4 372 930
Nightshift allowance	35 920	35 971
Skills development levy	485 220	452 396
Travel allowance	2 787 752	3 346 217
Unemployment insurance fund	205 800	189 090
Wages - projects	1 157 751	709 777
	<b>49 097 061</b>	<b>50 554 733</b>

### Remuneration of municipal manager: M.P.Bokgwathile

Annual remuneration	1 010 551	955 587
Car allowance	84 000	84 000
Cellular phone allowance	14 400	-
Contributions to unemployment insurance fund, medical and pension funds	1 785	12 190
Back pay	22 953	25 045
Leave paid out	59 938	-
	<b>1 193 627</b>	<b>1 076 822</b>

### Remuneration of chief finance officer: L.F. Molale

Annual remuneration	610 934	436 384
Car allowance	84 000	21 000
Cellular phone allowance	19 200	3 200
Housing allowance	74 400	32 298
Contributions to unemployment insurance fund, medical and pension funds	1 785	73 954
Back pay	20 153	-
Other	-	37 374
	<b>810 472</b>	<b>604 210</b>

During the financial year, Mr Molale was in the position of CFO from 1 July 2014 - 30 April 2015.

### Remuneration of acting chief financial officer: T. Motlhanke

Annual remuneration	73 141	-
Car allowance	10 251	-
Cellular phone allowance	1 600	-
Housing allowance	3 044	-
Contributions to unemployment insurance fund, medical and pension funds	17 671	-
Acting allowance	6 228	-
	<b>111 935</b>	<b>-</b>

During the financial year, Mr Motlhanke was acting as CFO from 1 May 2015 to 3 July 2015. The remuneration above is for the period 1 May 2015 to 30 June 2015.

Mrs French-Sullivan was appointed subsequently as acting CFO from 1 August 2015.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 25. Employee related costs (continued)

#### Remuneration of director of infrastructure: M.W. Molusi

Annual remuneration	704 560	628 600
Car allowance	120 000	120 000
Cellular phone allowance	19 200	4 800
Contributions to unemployment insurance fund, medical and pension funds	1 785	9 001
Back pay	17 138	-
	<b>862 683</b>	<b>762 401</b>

#### Remuneration of head of internal audit: S.D. Sethibe

Annual remuneration	916 660	783 395
Car allowance	100 800	100 800
Cellular phone allowance	8 000	-
Contributions to unemployment insurance fund, medical and pension funds	-	8 773
Back pay	22 892	20 740
	<b>1 048 352</b>	<b>913 708</b>

#### Remuneration of director of corporate and human resources (corporate services): M. Eilerd

Annual remuneration	692 306	640 661
Car allowance	180 000	180 000
Contributions to unemployment insurance fund, medical and pension funds	1 866	9 906
Acting allowance	-	8 753
Back pay	18 166	19 820
Leave paid out	43 336	-
	<b>935 674</b>	<b>859 140</b>

#### Remuneration of director of community services: T.H. Mathhare

Annual remuneration	810 726	774 740
Car allowance	100 800	100 800
Cellular phone allowance	19 200	-
Contributions to unemployment insurance fund, medical and pension funds	-	8 686
Back pay	19 011	20 740
Leave paid out	25 478	-
	<b>975 215</b>	<b>904 966</b>

#### Remuneration of director of finance and economics development: K.K. Teise

Annual remuneration	705 628	636 270
Car allowance	140 964	140 964
Cellular phone allowance	19 200	1 600
Contributions to unemployment insurance fund, medical and pension funds	1 785	9 268
Back pay	17 612	-
Leave paid out	41 402	-
Other	-	5 668
	<b>926 591</b>	<b>793 770</b>



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Figures in Rand	2015	2014
<b>26. Remuneration of councillors</b>		
Mayoral committee members	1 986 177	1 706 607
Councillors	1 186 190	919 385
Executive mayor	879 085	716 270
Speaker	695 655	561 330
	<b>4 747 107</b>	<b>3 903 592</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 26. Remuneration of councillors (continued)

#### In-kind benefits

The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The executive mayor has use of a council owned vehicle for official duties.

#### Executive mayor: S. Mosikatsi

Councillor allowance	588 777	465 897
Transport allowance	177 710	134 057
Municipal contribution	70 070	69 885
Cellphone allowance	38 328	39 828
Mobile data allowance	4 200	-
Skills development levy	-	6 603
	<b>879 085</b>	<b>716 270</b>

#### Speaker: S.B. Gaobusiwe

Councillor allowance	472 163	373 030
Transport allowance	142 368	107 245
Municipal contribution	56 056	55 954
Cellphone allowance	20 868	19 872
Mobile data allowance	4 200	-
Skills development levy	-	5 229
	<b>695 655</b>	<b>561 330</b>

#### Member of the mayoral committee: G.C. Assegaai

Councillor allowance	282 299	309 050
Cellphone allowance	-	7 476
Mobile data allowance	3 900	-
Skills development levy	-	3 126
	<b>286 199</b>	<b>319 652</b>

#### Member of the mayoral committee: O.E. Hantise

Councillor allowance	299 612	257 102
Transport allowance	86 861	64 275
Cellphone allowance	-	7 476
Mobile data allowance	3 900	-
Skills Development Levy	-	3 112
	<b>390 373</b>	<b>331 965</b>

#### Member of the mayoral committee: M.E. Mochwari

Councillor allowance	458 686	349 715
Transport allowance	133 281	100 543
Municipal contribution	52 554	52 457
Cellphone allowance	20 868	19 872
Mobile data allowance	4 200	-
Skills development levy	-	4 908
	<b>669 589</b>	<b>527 495</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>26. Remuneration of councillors (continued)</b>		
<b>Member of the mayoral committee: O.C. Mogodi</b>		
Councillor allowance	433 668	334 689
Transport allowance	133 282	100 543
Municipal contribution	67 998	67 483
Cellphone allowance	20 868	19 872
Mobile data allowance	4 200	-
Skills development levy	-	4 908
	<b>660 016</b>	<b>527 495</b>
<b>Chairperson of MPAC: V. Makoke (part-time)</b>		
Councillor allowance	226 927	179 521
Transport allowance	68 418	51 612
Municipal contribution	26 978	26 928
Cellphone allowance	20 868	12 396
Mobile data allowance	4 200	-
Skills development levy	-	2 530
	<b>347 391</b>	<b>272 987</b>
<b>Councillor - A. Mwembo</b>		
Councillor allowance	202 274	160 869
Transport allowance	53 313	40 217
Cellphone allowance	20 868	12 396
Mobile data allowance	4 200	-
Skills development levy	-	1 984
	<b>280 655</b>	<b>215 466</b>
<b>Councillor: J. Rakoi</b>		
Councillor allowance	199 635	139 886
Transport allowance	52 785	40 217
Provident fund contribution	-	20 983
Cellphone allowance	20 868	12 396
Mobile data allowance	4 200	-
Skills development levy	-	1 984
	<b>277 488</b>	<b>215 466</b>
<b>Councillor: A. Van Der Westhuizen</b>		
Councillor allowance	202 274	160 869
Transport allowance	53 313	40 217
Cellphone allowance	20 868	12 396
Mobile data allowance	4 200	-
Skills development levy	-	1 984
	<b>280 655</b>	<b>215 466</b>
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	2 017 293	1 738 807
Intangible assets	98 877	109 691
	<b>2 116 170</b>	<b>1 848 498</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 28. Finance costs

Other financial liabilities	260 850	223 781
Employee benefits obligation	2 422 051	1 892 149
	<b>2 682 901</b>	<b>2 115 930</b>

### 29. Debt impairment

Contributions to debt impairment provision	249 861	2 407
Debt written-off	-	3 300
Employee related debt impaired	230 375	-
	<b>480 236</b>	<b>5 707</b>

The employee related debt impaired relates the contingent asset raised under note 45 Contingencies.

### 30. Repairs and maintenance

Buildings	181 381	536 214
Electronic system	14 373	60 000
Equipment	152 613	134 024
Service agreements	97 198	684 968
Vehicles	121 157	119 578
	<b>566 722</b>	<b>1 534 784</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Figures in Rand	2015	2014
<b>31. General expenses</b>		
Advertising	117 011	162 053
Assessment rates and municipal charges	244 152	124 425
Auditors remuneration	2 435 106	2 659 837
Bank charges	78 745	44 532
Capacity building	1 187 997	103 752
Catering	412 204	232 872
Commission paid	-	353 521
Communications	291 030	295 712
Community development and training	1 349 327	178 156
Conferences and seminars	144 239	271 806
Consulting and professional fees	3 847 050	3 596 343
Contribution to SSME Development	211 579	-
Disaster assistance	355 016	169 087
Electricity	704 004	419 988
Exhibitions	117 818	91 003
Fines and penalties	90 001	18 062
Fleet	856 413	-
Fuel and oil	10 863	483 923
HIV and AIDS council	93 645	14 338
Health and occupational awareness	211 263	114 178
Imbizo events	2 921 193	-
Insurance costs	370 770	315 620
Magazines, books and periodicals	9 561	3 164
Maintenance	-	294 731
Membership fees	104 425	464 195
Pest control	45 445	6 520
Postage and courier	1 558	6 602
Printing and stationery	322 358	307 148
Project maintenance costs	7 252 657	4 830 006
Records management	847	3 612
Security services	644 508	371 857
Staff welfare	301 031	4 400
Tea and cleaning	177 346	300 424
Telephone and fax	789 787	750 729
Tourism events	129 461	113 782
Training	844 634	367 770
Travel, subsistence and accommodation	4 172 041	2 849 557
Uniforms	1 696	14 407
Water	15 540	2 583 218
	<b>30 862 321</b>	<b>22 921 330</b>

## 32. Fair value adjustments

Investment property - fair value model	665 000	681 000
Biological assets - fair value model	570 390	1 290 250
	<b>1 235 390</b>	<b>1 971 250</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 33. Discontinued operations

John Taolo Gaetsewe District Municipality provided services to District Management Areas under their control. These areas were transferred by a section 12 notice by the MEC of Cooperative Governance and Transitional Affairs to Local B-Municipalities. Since 30 June 2011, John Taolo Gaetsewe District Municipality no longer has control over these District Management Areas and no longer provides any services to these areas.

The non-current assets were sold on a piecemeal basis.

### Surplus / Deficit

Revenue	-	7 778
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### 34. Cash (used in) / generated from operations

Deficit	(10 473 036)	(5 161 006)
Adjustments for:		
Depreciation and amortisation	2 116 170	1 848 498
Non-cash movements in assets	1 118 529	410 601
Fair value adjustments	(1 235 390)	(1 971 250)
Finance costs	2 682 901	2 115 930
Write-off of 2013 finance lease liability	(42 701)	-
Debt impairment	249 861	5 707
Movements in retirement benefit assets and liabilities	(5 048 150)	2 576 816
Movements in provisions	349 000	350 000
Changes in working capital:		
Receivables from exchange transactions	(4 088 298)	(90 844)
Receivables from non-exchange transactions	-	78 494
Payables from exchange transactions	3 777 652	3 585 447
VAT	1 880 133	(2 617 753)
Unspent conditional grants and receipts	(557 500)	(673 425)
	<b>(9 270 829)</b>	<b>457 215</b>

### 35. Related parties

Members of key management

Refer to note 25

Councillors

Refer to note 26

Subject to significant degree of control by a member of key management

John Taolo Gaetsewe Development Trust

### Related party balances

#### Amounts included in Receivables from exchange transactions regarding related parties

John Taolo Gaetsewe Development Trust	6 762	4 644
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The municipality leases one of its buildings to the John Taolo Gaetsewe Development Trust; interest is charged on overdue amounts, however this is negligible. The total value of these for the period was R39,508 (2014: 37,530).

### 36. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 36. Risk management (continued)

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Long-term liabilities	399 470	395 122	1 185 368	790 246
• Finance lease obligations	267 869	267 869	22 322	-
• Unspent conditional grants and receipts	5 695 760	-	-	-
• Payables from exchange transactions	11 300 450	-	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Long-term liabilities	395 122	395 122	1 185 368	1 185 368
• Finance lease obligations	42 701	-	-	-
• Unspent conditional grants and receipts	6 253 260	-	-	-
• Payables from exchange transactions	7 521 703	-	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a small customer base, made up primarily of local municipalities and government departments. Management evaluated credit risk relating to customers on an on-going basis.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables from exchange transactions (before impairment)	11 002 949	7 286 693
Cash and cash equivalents	17 886 029	34 617 217
Grant receivable	141 668	-

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### 36. Risk management (continued)

#### Market risk

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings at fixed rates, which exposes the municipality to fair value interest rate risk. During 2015 and 2014, the municipality's borrowings at variable rate were denominated in the Rand.

#### Price risk

The municipality is not exposed to price risk.

### 37. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 38. Events after the reporting date

Management is not aware of any events after the reporting date.

### 39. Unauthorised expenditure

Opening balance	5 443 534	385 206
Unauthorised expenditure - current year	1 514 563	5 058 328
	<b>6 958 097</b>	<b>5 443 534</b>

Unauthorised expenditure is a result from over expenditure of the approved budget and no disciplinary steps or criminal proceedings have been undertaken.

This has been referred to MPAC after year end to recommend a course of action.

### 40. Fruitless and wasteful expenditure

Opening balance	1 158 485	991 816
Fruitless and wasteful expenditure	498 359	1 036 773
Less: Fruitless and wasteful expenditure condoned by council	-	(870 104)
	<b>1 656 844</b>	<b>1 158 485</b>

The fruitless and wasteful expenditure arose from sources such as penalties and interest on late payments, paying two suppliers for the same service (catering), accommodation where the official failed to cancel bookings, etc.

This has been referred to MPAC after year end to recommend a course of action.



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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<b>41. Irregular expenditure</b>		
Opening balance	39 513	48 463
Add: Irregular Expenditure - current year	9 777 582	39 513
Less: Amounts written-off	-	(48 463)
	<b>9 817 095</b>	<b>39 513</b>

### Analysis of expenditure awaiting investigation per age classification

Current year	9 777 582	39 513
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The balance has been referred to MPAC after year end to recommend a course of action.

### 42. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The items referred to above for the year ending 30 June 2015 are as follows:

#### Reason for deviation

Emergency	33 245	37 519
Sole supplier	1 226 433	392 438
Impractical or impossible to follow procurement process	982 458	661 976
	<b>2 242 136</b>	<b>1 091 933</b>

### 43. Prior period errors

The loan from the DBSA was incorrectly classified as a finance lease it should have been separately disclosed under other financial liabilities (current portion: R190,557; non-current portion: R1,976,998). This had no impact on the statement of financial performance.

The amount of R1,074,000 provided for the tariff payable in terms of COIDA was shown as an accrual under payables from exchange transactions. Due to the uncertainty over the timing in particular, as well as the amount, this was considered to be a provision. This had no impact on the statement of financial performance. The description was changed from Compensation for injuries on duty contribution to Compensation for occupation injuries and diseases.

It was found that some items of property, plant and equipment were removed from the asset register in 2014, but that these were still in use at the municipality. The disposal was reversed, and depreciation provided for in 2014.

The cost of a donated asset (classified under IT equipment) acquired in 2011 was found to be materially misstated, resulting in a further misstatement of the accumulated depreciation. The 2014 opening balance was reduced by R14,440,066 against accumulated surplus. The 2014 depreciation and accumulated depreciation was reduced by R1,763,210.

Erf 4439 in Kuruman was not previously recognised; this was raised as investment property to the value of R384,000, against accumulated surplus. A fair value adjustment for 2014 of R96,000 was also raised.

It was found that several properties registered in the name of the municipality were not recorded in the asset register. This was investigated, and it was concluded that, of these, land to the value of R4,075,900 should be recognised and recorded as inventory (as they are to be transferred to a local municipality), against accumulated surplus.

Items of property, plant and equipment were identified at year end which were not recorded on the fixed asset register. The items were raised with deemed costs of and historical depreciation. Depreciation was also raised on these in the 2014 year.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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### 43. Prior period errors (continued)

Although the useful lives of property, plant and equipment had been recently reassessed, assets which had already reached carrying values of nil or where the carrying value had dropped below the residual value had not been reassessed. The useful lives for these assets were assessed and extended, and the opening balance of accumulated depreciation adjusted. Depreciation on these items in 2014 was then raised.

No depreciation had been provided for on the buildings; depreciation of R493,314 was raised.

The balance of R42,701 for the finance lease obligation was disclosed as non-current; this should have been shown as current.

In prior years, the long service award liability was not recognised; this was corrected in the current year. The opening balance in 2014 of R1,834,488 was raised, as well as the movement in 2014 of employee costs R2,560, actuarial loss R37,752, interest R128,472 (total: R168,784). The current portion of the obligation (R245,686) was reclassified.

The VAT receivable account in 2014 had an opening balance of R1,222,722 (liability) resulting, primarily, from journals omitted in 2013. This was corrected against retained earnings.

The statements of account for VAT were reviewed, and it was found the VAT receivable was overstated by R985,730.

Expenditure of R2 849 559, relating to travel and accommodation for staff, was reclassified from employee related costs to general expenditure.

Actuarial losses of R2 518 328, on the valuation of the employee benefits obligations, were reclassified from general expenditure to employee related costs.

It was found that wages to the value of R709,777 had been allocated to general expenditure, instead of employee related costs; these were reallocated.

Recoveries of R1,024,819 received from the department of co-operative governance, human settlements and traditional affairs for the development of housing on their behalf were reversed together with the related general expenditure.

The correction of the errors results in adjustments as follows:

#### Statement of financial position

VAT receivable	236 991
Inventories	4 075 900
Property plant and equipment - non-current	(12 247 261)
Investment property - non-current	480 000
Other financial liabilities - current	(190 577)
Finance lease obligation - current	147 877
Payables from exchange transactions - current	1 074 000
Employee benefits obligation - current	(245 686)
Provisions - current	(1 074 000)
Other financial liabilities - non-current	(1 976 998)
Finance lease obligation - non-current	2 019 699
Employee benefits obligation - non-current	(1 757 585)
Accumulated surplus	9 552 691
	<b>95 051</b>

#### Statement of Financial Performance

Recoveries	1 024 819
Employee related costs	381 106
Depreciation and amortisation	(1 127 181)
Finance costs	128 472
General expenditure	(301 064)
Loss on disposal of assets	(105 203)
Fair value adjustments	(96 000)
	<b>(95 051)</b>

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

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### 44. Comparative figures

The loan from the DBSA was incorrectly classified as a finance lease it should have been separately disclosed under other financial liabilities (current portion: R190,557; non-current portion: R1,976,998). This had no impact on the statement of financial performance.

The amount of R1,074,000 provided for the tariff payable in terms of COIDA was shown as an accrual under payables from exchange transactions. Due to the uncertainty over the timing in particular, as well as the amount, this was considered to be a provision. This had no impact on the statement of financial performance. The description was changed from Compensation for injuries on duty contribution to Compensation for occupation injuries and diseases

The balance of R42,701 for the finance lease obligation was disclosed as non-current; this should have been shown as current.

Expenditure of R2 849 559, relating to travel and accommodation for staff, was reclassified from employee related costs to general expenditure.

Actuarial losses of R2 518 328, on the valuation of the employee benefits obligations, were reclassified from general expenditure to employee related costs.

It was found that wages to the value of R709,777 had been allocated to general expenditure, instead of employee related costs; these were reallocated.

#### Statement of financial position

Payables from exchange transactions - current	1 074 000
Other financial liabilities - current	(190 557)
Finance lease obligation - current	147 856
Provisions - current	(1 074 000)
Other financial liabilities - non-current	(1 976 998)
Finance lease obligation - non-current	2 019 699
	-

#### Statement of Financial Performance

Employee related costs	378 547
General expenditure	(378 547)
	-

### 45. Contingencies

#### Contingent liabilities

The municipality is involved in a dispute with Buhle Buzile Investments over services provided and payment thereof; the amount in question is R2,398,000; the outcome of this matter is uncertain.

The municipality is involved in a dispute with DTMH Properties over breach of contract; the amount in question is R1,136,544; the outcome of this matter is uncertain.

#### Contingent assets

The municipality considers an amount of R230,375, to be a contingent asset at year end. This relates to an error in the processing of salaries, and is recoverable from employees. Management is in the process of determining the recovery process, and whether this will be possible in practice.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 46. Commitments

Authorised commitments made before year end consist of:

Capital	1 793 286	407 510
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# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 47. Actual expenditure versus budgeted expenditure

The significant differences between the budgeted and actual amounts are as follows:

47.1 Other income: An amount of R20,440,000 was budget for under other income, however, this appears to have been an item which would have been more appropriately shown under the budget for the statement of financial position, as it refers to the municipality's cash reserves.

47.2 Employee related costs: The employee related costs are significantly below budget due to a material actuarial gain (arising from a decrease in the post-employment medical aid benefit obligation). This is partially offset by the provision for compensation for occupational injuries and diseases, which was not taken in to account in the budgeting process, as well as an increase in the leave provision, which is inherently variable and difficult to estimate.

47.3 Remuneration of councillors: The adjustment budget was incorrect; the actual figures are far more closely aligned to the original approved budget.

47.4 Depreciation: The depreciation budgetted was in relation to the new acquisitions, but did not accomodate existing assets.

47.5 Finance charges: The budget did not provide for adjustments to the employee benefits obligations.

47.6 Transfers and grants: Incorrectly budgeted as transfers and grants The municipality did not make transfers to other municipalities.

47.7 General expenses: Includes expenditure which was incorrectly budgeted as transfers and grants.

47.8 Transfers recognised - capital: The budget includes transfer from provincial department and amounts which were to be funded internally by the municipality.

47.9 Loss on derecognition of asset and liabilities: The reduction in assets was not anticipated.

47.10 Fair value adjustments: The budget did not provide for fair value adjustments; these are inherently variable and difficult to estimate.

47.11 Statement of financial position: The budgetted figures for the statement of financial position were not appropriate.

47.12 Cash flow statement - goods and services: The difference is due to the increase in receivables from local and provincial government.

47.13 Cash flow statement - grants: The budget includes a transfer that was received in the previous year .

47.14 Cash flow statement - interest income: The cash flow statement budget did not provide for interest income, which was not consistent with the income statement budget.

47.15 Cash flow statement - suppliers and employees: The expenses for employee costs were significantly lower than anticipated due to material actuarial gains on the post employment medical aid benefit. Payables from exchange transactions also increased significantly year-on-year.

47.16 Cash flow statement - finance charges: The budget did not provide for the interest on the employee benefit obligations.

47.17 Cash flow statement - grants and subsidies: As noted in 47.6 above, the budget was incorrect; the municipality does not transfer funds to other municipalities.

47.18 Cash flow statement - Capital assets & increase in finance lease liabilities: The budget did not provide for assets purchased in terms of finance leases.

47.19 Cash flow statement - Repayment of borrowing: The budget was overstated.

47.20 Cash flow statement - Finance lease payments: Refer to 48.17.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 47. Actual expenditure versus budgeted expenditure (continued)

47.21 Cash flow statement - Cash/cash equivalents at the start of the year: The budget used the incorrect balance for the cash and cash equivalents at the start of the year.

### 48. Budget adjustments

48.1 The budgetted revenue was for increased by R630,000 to reflect the current year gazetted allocations for the Fire and Near grants.

48.2 The expenditure budget and housing grant allocations were adjusted based on revised expectations of actual expenditure.

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

## Appendix B

June 2015

### Analysis of property, plant and equipment as at 30 June 2015 Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
	6 212 413	-	-	-	-	-	6 212 413	-	-	-	-	-	-	6 212 413
Land (Separate for AFS purposes)	14 145 200	631 507	-	-	-	-	14 776 707	(471 506)	-	-	(482 154)	-	(953 660)	13 823 047
Buildings (Separate for AFS purposes)	20 357 613	631 507	-	-	-	-	20 989 120	(471 506)	-	-	(482 164)	-	(953 660)	20 036 460
Land and buildings														
Infrastructure														
Community Assets														
Farms	34 400 000	-	-	-	-	-	34 400 000	(21 807)	-	-	(21 807)	-	(43 614)	34 356 386
	34 400 000	-	-	-	-	-	34 400 000	(21 807)	-	-	(21 807)	-	(43 614)	34 356 386

# Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Other assets</b>														
General vehicles	5 655 991	2 855 561	(399 550)	-	-	-	8 112 002	(1 905 865)	81 094	-	(638 256)	-	(2 463 027)	5 648 975
Computer Equipment	4 903 426	823 855	(999 721)	-	-	-	4 727 560	(2 265 324)	435 995	-	(473 166)	-	(2 302 497)	2 425 063
Furniture & Fittings	2 428 811	2 324 577	(322 595)	-	-	-	4 428 793	(1 166 465)	163 014	-	(152 035)	-	(1 165 486)	3 273 307
Office Equipment	487 015	73 202	(141 644)	-	-	-	418 573	(230 307)	96 015	-	(33 352)	-	(167 644)	250 928
Other Assets - Leased	87 421	699 406	(87 421)	-	-	-	699 406	(76 452)	76 452	-	(213 706)	-	(213 706)	485 700
Other	79 088	4 210	(39 940)	-	-	-	43 358	(27 039)	20 843	-	(2 789)	-	(8 985)	34 373
	<b>13 639 752</b>	<b>6 780 811</b>	<b>(1 990 871)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 429 692</b>	<b>(5 671 452)</b>	<b>873 413</b>	<b>-</b>	<b>(1 513 306)</b>	<b>-</b>	<b>(6 311 345)</b>	<b>12 118 347</b>



# Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	20 357 613	631 507	-	-	-	-	20 989 120	(471 506)	-	-	(482 154)	-	(953 660)	20 035 460
Community Assets	34 400 000	-	-	-	-	-	34 400 000	(21 807)	-	-	(21 807)	-	(43 614)	34 356 386
Other assets	13 639 752	6 780 811	(1 990 871)	-	-	-	18 429 692	(5 671 452)	873 413	-	(1 513 306)	-	(6 311 345)	12 118 347
	<b>68 397 365</b>	<b>7 412 318</b>	<b>(1 990 871)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73 818 812</b>	<b>(6 164 766)</b>	<b>873 413</b>	<b>-</b>	<b>(2 017 267)</b>	<b>-</b>	<b>(7 308 619)</b>	<b>66 510 193</b>
<b>Total</b>														
Land and buildings	20 357 613	631 507	-	-	-	-	20 989 120	(471 506)	-	-	(482 154)	-	(953 660)	20 035 460
Community Assets	34 400 000	-	-	-	-	-	34 400 000	(21 807)	-	-	(21 807)	-	(43 614)	34 356 386
Other assets	13 639 752	6 780 811	(1 990 871)	-	-	-	18 429 692	(5 671 452)	873 413	-	(1 513 306)	-	(6 311 345)	12 118 347
	<b>68 397 365</b>	<b>7 412 318</b>	<b>(1 990 871)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73 818 812</b>	<b>(6 164 766)</b>	<b>873 413</b>	<b>-</b>	<b>(2 017 267)</b>	<b>-</b>	<b>(7 308 619)</b>	<b>66 510 193</b>

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation      Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	6 212 413	-	-	-	-	-	6 212 413	-	-	-	-	-	-	6 212 413
Buildings (Separate for AFS purposes)	13 862 587	282 613	-	-	-	-	14 145 200	(3 076 471)	-	3 076 471	(471 506)	-	(471 506)	13 673 694
	<b>20 075 000</b>	<b>282 613</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 357 613</b>	<b>(3 076 471)</b>	<b>-</b>	<b>3 076 471</b>	<b>(471 506)</b>	<b>-</b>	<b>(471 506)</b>	<b>19 886 107</b>
<b>Community Assets</b>														
Farms	34 400 000	-	-	-	-	-	34 400 000	-	-	-	(21 807)	-	(21 807)	34 378 193
	<b>34 400 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34 400 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21 807)</b>	<b>-</b>	<b>(21 807)</b>	<b>34 378 193</b>

# Analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation      Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Opening Balance		Disposals		Transfers		Depreciation		Impairment loss		Closing Balance		Carrying value	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
General vehicles	5 622 195	1 729 719				(1 695 923)	-	-	-	-	-	-	5 655 991	(2 953 528)	1 459 626	-	-	-	-	-	(411 953)	-	-	-	(1 905 865)	3 750 126		
Computer Equipment	5 128 470	691 708				(916 750)	-	-	-	-	-	-	4 903 426	(2 553 115)	820 621	-	-	-	-	-	(532 830)	-	-	-	(2 265 324)	2 638 102		
Furniture & Fittings	2 297 224	258 038				(128 451)	-	-	-	-	-	-	2 426 811	(1 085 526)	81 420	-	-	-	-	-	(162 359)	-	-	-	(1 166 465)	1 260 346		
Office Equipment	645 012	22 998				(180 995)	-	-	-	-	-	-	487 015	(268 687)	123 977	-	-	-	-	-	(85 597)	-	-	-	(230 307)	256 708		
Other Assets - Leased	136 027	-				(48 606)	-	-	-	-	-	-	87 421	(84 534)	45 629	-	-	-	-	-	(37 547)	-	-	-	(76 452)	10 969		
Other	77 054	45 085				(43 051)	-	-	-	-	-	-	79 088	(41 770)	29 928	-	-	-	-	-	(15 197)	-	-	-	(27 039)	52 049		
	13 905 982	2 747 546				(3 013 776)	-	-	-	-	-	-	13 639 752	(6 987 160)	2 561 201	-	-	-	-	-	(1 245 493)	-	-	-	(5 671 452)	7 968 300		

Other assets

# Analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	20 075 000	282 613	-	-	-	-	20 357 613	(3 076 471)	-	3 076 471	(471 506)	-	(471 506)	19 886 107
Community Assets	34 400 000	-	-	-	-	-	34 400 000	-	-	-	(21 807)	-	(21 807)	34 378 193
Other assets	13 905 982	2 747 546	(3 013 776)	-	-	-	13 639 752	(6 987 160)	2 561 201	-	(1 245 493)	-	(5 671 452)	7 968 300
	<b>68 380 982</b>	<b>3 030 159</b>	<b>(3 013 776)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68 397 365</b>	<b>(10 063 631)</b>	<b>2 561 201</b>	<b>3 076 471</b>	<b>(1 738 806)</b>	<b>-</b>	<b>(6 164 765)</b>	<b>62 232 600</b>
<b>Agricultural/Biological assets</b>														
<b>Total</b>														
Land and buildings	20 075 000	282 613	-	-	-	-	20 357 613	(3 076 471)	-	3 076 471	(471 506)	-	(471 506)	19 886 107
Community Assets	34 400 000	-	-	-	-	-	34 400 000	-	-	-	(21 807)	-	(21 807)	34 378 193
Other assets	13 905 982	2 747 546	(3 013 776)	-	-	-	13 639 752	(6 987 160)	2 561 201	-	(1 245 493)	-	(5 671 452)	7 968 300
	<b>68 380 982</b>	<b>3 030 159</b>	<b>(3 013 776)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68 397 365</b>	<b>(10 063 631)</b>	<b>2 561 201</b>	<b>3 076 471</b>	<b>(1 738 806)</b>	<b>-</b>	<b>(6 164 765)</b>	<b>62 232 600</b>

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2015

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun				
Equitable share	25 307 000	32 631 000	3 447 000	-	25 123 000	32 631 000	3 447 000	-	184 000	FMG grant not rolled forward; withheld from equitable share.	Yes	
EPWP - Brick making	400 000	300 000	300 000	-	20 639	217 570	588 342	167 112	-		Yes	
EPWP - Incentive	-	-	-	-	-	-	-	1 717 456	-		Yes	
FMG	1 250 000	-	-	-	160 422	94 252	295 046	599 181	-		Yes	
Fire grant	-	315 000	-	-	-	-	-	510 828	-		Yes	
HIV and AIDS council	-	-	-	500 000	53 200	22 890	14 705	2 850	-		Yes	
ISDG	1 000 000	-	1 500 000	-	303 260	308 867	458 871	1 192 921	-		Yes	
MSIG	934 000	-	-	-	112 135	578 210	105 773	137 882	-		Yes	
Near grant	-	315 000	-	-	28 632	16 516	25 090	688 720	-		Yes	
Rural road asset management grant	1 725 000	-	-	-	-	1 026 783	-	698 217	-		Yes	
Housing accreditation grant	-	-	633 692	-	-	-	633 692	183 861	-		Yes	
	30 616 000	33 561 000	5 880 692	500 000	25 801 288	34 896 088	5 568 519	5 899 028	184 000			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.